

CHAPTER 1

GENERAL

A. Coverage

This Manual contains the procedures and instructions for the development of compensation programs for foreign nationals employed by the U.S. Forces in foreign areas.

B. Authority

1. The legal basis for setting pay for foreign national employees is the "Foreign Service Act of 1980" (P.L. 96-465, reference (a)). This act in part provides:

"Sec. 408. Local Compensation Plans---

"(a)(1) The Secretary shall establish compensation (including position classification) plans for foreign national employees of the Service, and for United States Citizens employed **in** the Service abroad who are family members of Government employees. To the extent consistent with the public interest, each compensation plan shall be based upon prevailing wage rates and compensation practices (including participation in local social security plans) for corresponding types of positions in the locality of employment, except that such compensation plans shall provide for payment of wages to those family members of Government employees who are paid in accordance with such plans at a rate which is no **less** than the then applicable minimum wage rate specified in section **6(a)(1)** of the Fair Labor Standards Act of 1938 (29 **U.S.C.** 206(a)(1)). Any compensation plan established under this section may include provision for leaves of absence with pay for foreign national employees in accordance with prevailing laws and employment practices without regard to any limitation contained in section 6310 of Title 5, United States Code.

"(2) The Secretary may make supplemental payments to any civil service **annuitant** who is a former foreign national employee of the Service (or who is receiving an annuity as a survivor of a former foreign national employee of the Service) in order to offset exchange rate losses, if the annuity being paid such **annuitant** is based on--

"(A) A salary that was fixed in foreign currency that has appreciated in value in terms of the United States Dollar; and

"(B) Service in a country in which (as determined by the Secretary) the average retirement benefits being received by individuals who retired from competitive local organizations are superior to the local currency value of civil service annuities plus any other retirement benefits payable to foreign national employees who retired during similar time periods and after comparable careers with the Government.

"(b) For the purpose of performing functions abroad, any agency or other Government establishment (including any establishment in the legislative or judicial branch) may administer employment programs for its employees who are foreign nationals or are **family** members of Government employees assigned abroad, in accordance with the applicable provisions of this Act.

"(c) The Secretary of State may prescribe regulations governing" the establishment and administration of local compensation plans under this section by all agencies and other Government establishments."

2. Delegation of Authority

DoD Instruction 1400.10 (reference (b)) contains the delegations of **authority** to the Secretaries of the Military Departments, the Chairman of the **Joint** Chiefs of Staff (**CJCS**), and the **Directors** of the Defense Agencies for redelegation to Service commands to establish salaries, fringe benefits and related compensation matters for **non-U.S.** citizen employees.

3. Limits on Authority

a. Policy. The two basic policies regarding pay fixing specified in reference (b) apply: (1) the average pay of employees of the U.S. Forces shall equal the average pay of the **non-U.S.** Forces sector **in the** country concerned; and (2) the total compensation of employees of the U.S. Forces shall equal the total compensation of the **non-U.S.** Forces sector in the country concerned.

(1) Procedures in this Manual represent the preferred methodology for wage determination to satisfy the overall policy objectives of the Department of Defense. If departure from these procedures is necessary because of the peculiarities of local situations, DoD Components with delegated authorities may employ whatever methodologies best achieve these policy objectives. DoD Components must demonstrate that the methodology employed achieves the desired result and the alternative methodology must receive prior approval of the Assistant Secretary of Defense (Force Management and **Personnel**) (**ASD(FM&P)**).

(2) Once the decision is made on whether the provisions of the Manual or other provisions developed by the DoD Component and approved by the **ASD(FM&P)** for the country concerned apply, prior approval for deviations must be obtained from the **ASD(FM&P)**. Such requests should be processed through channels and should include a complete analysis of all factors bearing on the request.

b. Other Limits

(1) Unresolved differences relating to salaries, wages, fringe benefits and related compensation matters shall be referred by the cognizant commander in chief to the **ASD(FM&P)**.

(2) Situations which, in the view of Service component commands, warrant deviation from prevailing practice, sometimes referred to as **public** interest determinations, shall be referred by the cognizant commander in chief to the **ASD(FM&P)**.

(3) The total annual pay for an employee established under the delegated authorities may not be more than the maximum payable rate for General Schedule (**GS**)-18.

C. Monitorship

The DoD Wage Fixing Authority Technical **Staff**, as the designated agent for the DoD Wage Fixing Authority, monitors the foreign national compensation program. In carrying out this function, the technical staff reviews survey reports submitted (see Chapter 7) and conducts periodic evaluations of country compensation plans.